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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Before the  
Federal Communications Commission  
Washington, D.C. 20554

In the Matter of ) CC Docket No. 95-116  
 )  
Telephone Number Portability ) RM 8535

**COMMENTS OF SBC COMMUNICATIONS, INC.**

SBC Communications Inc., on behalf of its telephone company subsidiaries, Southwestern Bell Telephone Company, Pacific Bell and Nevada Bell, ("SBC") files these Comments in response to the Commission's Third Report and Order released in the above-captioned docket on May 5, 1998 ("Cost Recovery Order"). These Comments address the ways in which carriers may apportion the different types of joint costs attributable to long-term number portability ("LNP").<sup>1</sup> As requested by the Commission, the objectives of this filing are "[t]o facilitate the determination of the portion of joint costs carriers are to treat as carrier-specific costs directly related to providing number portability and to facilitate evaluation of the cost support that carriers will file in their federal tariffs."<sup>2</sup>

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<sup>1</sup> On July 29, 1998, SBC filed a Petition for Clarification and Reconsideration with regard to the Cost Recovery Order. On July 1, 1998, it also filed its Direct Case in support of its tariff filings for query service and on July 17, 1998, its Rebuttal to oppositions submitted against its tariffs and supporting documentation. To the extent these pleadings and tariff filings address the issue of joint costs, they are incorporated herein.

<sup>2</sup> Cost Recovery Order, ¶ 75.

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## **I. BACKGROUND**

Section 251(b)(2) of the Telecommunications Act of 1996 ("Act") requires all local exchange carriers, incumbents and new entrants, "to provide, to the extent technically feasible, number portability in accordance with the requirements prescribed by the Commission."<sup>3</sup> The basic tenet of cost recovery is set forth in Section 251(e)(2) which dictates that "[t]he cost of establishing telecommunications numbering administration arrangements and number portability shall be borne by all telecommunications carriers on a competitively neutral basis as determined by the Commission."<sup>4</sup>

The "competitive neutrality" guideline was further developed by the Commission in its First Report and Order.<sup>5</sup> The Commission adopted a two criteria test in determining competitive neutrality: first, a competitively neutral cost recovery mechanism cannot give one service provider "an appreciable, incremental cost advantage over another service provider, when competing for a specific subscriber"<sup>6</sup> and second, the cost recovery mechanism cannot have "a disparate effect on the ability of competing service providers to earn normal returns on their investment."<sup>7</sup>

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<sup>3</sup> 47 U.S.C. § 251(b)(2).

<sup>4</sup> 47 U.S.C. § 251(e)(2).

<sup>5</sup> In the Matter of Telephone Number Portability, CC Docket No. 95-116, RM 8535, First Report and Order and Further Notice of Proposed Rulemaking, 11 FCC Rcd. 8352 (1996) ("First Report and Order").

<sup>6</sup> Id. at 8420.

<sup>7</sup> Id. at 8421.

The Commission is now seeking to apply this approach in its Cost Recovery

Order. At Paragraph 73, the Commission states:

"...[W]e will consider as subject to the competitive neutrality mandate of section 251(e)(2) all of a carrier's dedicated number portability costs, such as for number portability software and for the SCPs and STPs reserved exclusively for number portability. We will also consider as carrier specific costs directly related to the provision of number portability that portion of the carrier's joint costs that is demonstrably an incremental cost carriers incur in the provision of long-term number portability."

The Commission has categorized number portability costs in the following manner: (1) costs incurred by the industry as a whole ("shared costs" or "Type 1 costs")<sup>8</sup>; (2) carrier specific costs (direct and allocated) directly related to number portability ("Type 2 costs"); and (3) carrier-specific costs not directly related to number portability ("Type 3 costs").<sup>9</sup>

In these Comments, SBC will identify the joint costs related to the provisioning of number portability and the allocation of portions of these costs to the Type 2 cost category. In doing so, it is important that there be a common understanding as to what is meant by a "joint cost". A "joint cost" is a type of cost which results from the provisioning of multiple services through the same process, or a cost which is associated with one physical asset producing two or more services in fixed or variable proportions. The services causally contributing to these joint costs are known as a "service family".

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<sup>8</sup> SBC believes the Commission has provided adequate guidelines for the identification and recovery of Type 1 costs to the extent that the industry and the NPAC vendor can properly resolve any remaining issues and therefore will not discuss Type 1 costs in this pleading.

<sup>9</sup> Cost Recovery Order, ¶ 68.

"Joint costs" may also refer to the costs of shared facilities where the incremental cost attributable to a single service cannot be assigned except through the use of an allocator.

## **II. THE CATEGORIZATION OF AIN UPGRADES, SWITCH SOFTWARE AND HARDWARE COSTS AS COSTS DIRECTLY RELATED TO PROVIDING NUMBER PORTABILITY**

### **A. THE ASSIGNMENT OF COSTS FOR AIN UPGRADES AND SWITCH SOFTWARE**

The Commission has defined carrier-specific costs directly related to the provisioning of number portability to include the costs of purchasing the switch software necessary to implement number portability.<sup>10</sup> In addition to the LNP feature package software, each switch type also requires the installation of enabling software before the number portability feature software can be loaded. In identifying that portion of the cost of the enabling software upgrades which may be considered Type 2 costs, SBC suggests that the date of the contract, or contractual amendment, under which the software is being procured controls. In other words, if the carrier contracted to purchase the software prior to the release of the First Report and Order, there would be a rebuttable presumption that the software was obtained for purposes other than the provisioning of number portability. If the software was obtained after the release of the First Report and Order, then 100% of the cost for the software should be allocated as a Type 2 cost.

With regard to the LNP feature package software, the categorization of these costs as Type 2 costs is determined by the nature of the software itself. Such assignment does not involve joint cost allocation.

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<sup>10</sup> First Report and Order, at 8464.

## **B. THE ASSIGNMENT OF COSTS FOR SWITCH HARDWARE**

While clearly some portion of these joint costs are directly related to the provisioning of LNP, capturing the cost of this hardware requires a non-traditional approach. Costs associated with switch hardware, such as processor upgrades and increased memory capacity, where necessary to implement number portability should be treated as Type 2 costs if the procurement of this hardware post-dates the First Report and Order. In cases where the purchase of this hardware pre-dates the First Report and Order, these costs should not be included as Type 2 costs. This approach does not allow carriers to "engineer" their LNP cost recovery since the allocation of these costs is tied to an event outside the carrier's control. The result is equitable in nature and neither advantages nor disadvantages any particular group.

## **III. THE ASSIGNMENT OF COSTS FOR OPERATIONAL SUPPORT SYSTEMS ("OSS") AS COSTS DIRECTLY ATTRIBUTABLE TO PROVISIONING OF NUMBER PORTABILITY**

With regard to OSS, SBC has demonstrated in its tariff filings and supportive documentation, that virtually every OSS is impacted by the implementation of LNP. In determining that portion of the total costs that should be allocated as a direct cost of LNP implementation, a carrier should be permitted to rely upon the assessment of the vendor supplying the system<sup>11</sup>. The percentage designated will, by necessity, vary by type of OSS.

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<sup>11</sup> SBC relied upon this input in making cost allocation determinations with respect to its tariff filings.

**IV. THE ASSIGNMENT OF COSTS ASSOCIATED WITH SIGNALING  
SYSTEM 7 ("SS7") AS TYPE 2 COSTS**


Costs associated with SS7 investments to perform number portability functions are "joint costs". Such costs are capable of being identified using a long run incremental unit cost methodology based on capacity costing economic theory. Employing this method, the direct incremental unit investment for number portability queries can be specified. Having identified these cost as direct costs attributable to LNP, they should be treated as Type 2 costs.

**V. CONCLUSION**

As the Commission has acknowledged, while the concept of competitive neutrality clearly allows a carrier to recover its costs directly attributable to the provisioning of LNP, the allocations of joint costs, such as those specified above, do not lend themselves to obvious formulas. SBC believes that the methodologies it has set forth provide equitable and verifiable means for distributing these costs.

Respectfully submitted,

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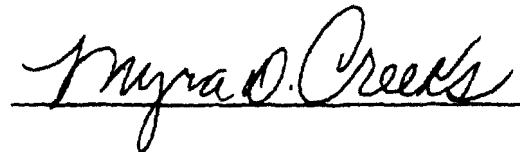
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August 3, 1998

**CERTIFICATE OF SERVICE**

I, Myra D. Creeks, hereby certify that "Comments of SBC Communications, Inc.," in CC Docket No. 95-116 have been served on August 3, 1998, to the Parties of Record.

A handwritten signature in cursive script, reading "Myra D. Creeks", is written over a horizontal line.

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